



State 457 Deferred Compensation Plan (457 Plan) and PERS Defined Contribution Retirement Plan (DCRP) Participants

Montana Public Employee Retirement Administration (MPERA)

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*Should any information in this newsletter
conflict with statute or rules, the statute
or rules will apply.*

Important Changes to Your DCRP and 457 Plan

The Public Employees' Retirement Board (PERB) and the Employee Investment Advisory Council (EIAC) have completed their annual review of the investment options offered in the Defined Contribution Retirement Plan and the 457 Deferred Compensation Plan.

In the 401(a) Defined Contribution Retirement Plan (DCRP), PERB voted unanimously to **terminate** the Hotchkis & Wiley Small Cap Value Fund due to a significant drop in performance and **replace** it with the Target Small Capitalization Value (TASVX) fund. Also being **terminated** due to underperformance is the SSgA International Growth Opportunities fund. It will be **replaced** by the Principal Inv International Growth (PITIX) fund.

In the 457 Deferred Compensation Plan (457 Plan), PERB voted unanimously to **terminate** the Hotchkis & Wiley Mid Cap Value fund due its failing performance and replace it with the Columbia Mid Cap Value (NAMAX) fund. The Oakmark International Fund has been placed on probation due to quarterly and annual returns below PERB's performance benchmarks.

The new funds will be added October 8, 2008 and the old will be eliminated on January 8, 2009. See article on page 2 regarding transfer of assets.

Detailed information regarding the review process may be found at mpera.mt.gov, including:

- PERB's 457 Investment Policy Statement
- PERB's DCRP Investment Policy Statement
- Investment options fund data sheets
- EIAC recommendations

Inside this issue . . .

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Spread the Word about 457 Deferred Compensation!

Did you know only 31% of the state of Montana's employees participate in the 457 Deferred Compensation Plan?

Be sure to let your fellow employees know there is a way to supplement their retirement. Any employee from a new hire to a person who has been on the job for years can participate in the 457 Plan. It is never too late to start saving. The sooner you start, the better off you will be down the road.

Retirement Calculators

Many investment experts agree the average retiree will need at least 70 to 80 percent of their pre-retirement income to support themselves in retirement. When inflation and health care are factored in, that percentage may increase significantly. A retirement calculator can help you determine if you are saving enough for your retirement.

There are many retirement calculators available online. ChoosetoSave.org has links to several calculators that can be very helpful for planning your future. ♦

457 Plan and DCRP Asset Transfer and Freeze Period

Participants in either the 457 Plan or the DCRP who have assets in a discontinued investment option have until 2:00 p.m. MST, on Thursday, January 8, 2009 to transfer their assets to other available investment options.

To transfer assets, participants may contact Great West Retirement Services by calling KeyTalksm toll free at (877) 699-4015 and either using the voice response system or talking to a customer service representative during normal business hours (8 a.m. to 5 p.m. MST). Participants may also use the Plans' website: mperadcplans.com.

Participants using the website will need their username and password. Participants who have forgotten or misplaced their username or password should contact the customer service representatives at the above toll-free number for assistance.

Participants may also contact the Montana Great West Retirement Services' offices toll-free at (800) 981-2786 or in Helena at (406) 449-2408 to receive personal assistance.

Assets remaining in Hotchkis & Wiley Mid Cap Value fund after 2:00 p.m. on January 8,

2009, will automatically be transferred to the Columbia Mid Cap Value (NAMAX) fund.

Assets remaining in the SSgA International Growth Opportunities fund after 2:00 p.m. on January 8, 2009, will automatically be transferred to the Principal Inv International Growth (PITIX) fund.

A transaction freeze period must occur when investment options are discontinued or changed. The freeze period allows for the asset transfer and reconciliation. A brief freeze period (or "quiet" period) will begin at 2:00 p.m. MST on January 8, 2009 and end the morning of January 9, 2009. During this brief period, no transactions will be permitted to:

- the Hotchkis & Wiley Mid Cap Value fund,
- the Hotchkis & Wiley Small Cap Value fund,
- the SSgA International Growth Opportunities fund,
- the Principal Inv International Growth (PITIX) fund, or
- the Columbia Mid Cap Value (NAMAX) fund. ♦

Great West Contact Information

If you have any questions regarding either your Defined Contribution Retirement Plan or 457 Deferred Compensation Plan, Great West Retirement Services can help. You can contact Great West at (406) 449-2408 or toll free (800) 981-2786. You can also visit their website at <http://www.mperadcplans.com> to access to your personal account. The website also provides important fund information as well as various investment tools such as a loan calculator and a college planner. Great West Retirement Services is located at: 208 N Montana Ave Suite 103-C Helena, Mt 59601.

A Message from the Executive Director

Dear Participants,

The last several weeks have been interesting, to say the least, in the financial markets. We truly are living in unprecedented times with the collapse of the housing market and failure of long established and respected companies, and the subsequent federal rescue plan.

It is natural to feel anxiety and apprehension. Questions of what to do now, what is safe, and what is yet to come, what will be the impact of congressional action (or inaction) abound with few, if any, answers. We at MPERA are not economists or financial experts and do not have the answers.

What we do know and understand though, is that retirement planning, and retirement investing is a long-term endeavor. Rather than react to current conditions, maintain the following principles:

1. Invest for the long-term. Your working career lasts many years, your retirement years will last even longer. You have time to recover and benefit from many different market conditions.
2. Diversify your account through a variety of asset classes. Spread your investments across different asset classes. The theory that as the value of one asset class decreases, a different asset class will increase remains sound.
3. Monitor your account and make changes consistent with your established goals. Do not "chase" the market. Maintain your goals and

time horizon and understand your risk tolerance.

Our Great West Retirement Services registered representatives are available to help you review your asset allocation and reposition your account as necessary. Please do not hesitate to contact them; their contact information is on page 2.

MPERA and the Board will, with assistance of the Employee Investment Advisory Council and Wilshire Associates, our investment consultant will continue to monitor all investment options offered in the plans. The investment options are reviewed and monitored quarterly to ensure they comply with the Board's investment policy statements as well as the investment houses' own stated objectives and strategies. Any changes made to the investment options, including the stable value fund (see article on page 4) will occur only in a disciplined manner consistent with the investment policy statements.

The Board is also monitoring the current market conditions and federal action closely to determine if or when investment option changes should occur. Diligence, consistency and discipline will see us - and you - through these unstable times.

- Roxanne Minnehan, Executive Director

457 & DCRP Important Reminders

- ⇒ Keep personal information, such as addresses and beneficiaries, up-to-date.
- ⇒ Review your quarterly statements.
- ⇒ Periodically review your investments and asset allocations – make appropriate changes.
- ⇒ Consider increasing your 457 Plan deferrals when your salary increases.

Stable Value Fund

The Plan's Stable Value Fund, also called the Fixed Fund, is a bond account invested and managed by Pacific Investment Management Company (PIMCO) and insured by Aegon. PIMCO is one of the largest bond manager in the world and headquartered in Newport Beach, California. Aegon is the largest insurer of stable value funds in the US and one of the largest institutional insurer in the world. Aegon is headquartered in Louisville, Kentucky.

Because the stable value fund is invested in bonds, it is subject to the volatility (ups and downs) of the market. Aegon, the insurer of the Fund, guarantees that in spite of the ups and downs, all Plan participants will receive both their original principal amount as well as the quarterly credited rate. When Aegon sets the quarterly rate, they 'smooth' the actual rate of return using duration of PIMCO's portfolio. This allows participants to see a more consistent credited rate rather than a high rate one quarter and a low rate the next. The floor for the credited

rate is zero; participants in the Fund will never see a negative return or loss of principal.

The credited rate for the current quarter (10/1 through 12/31) for the 457 Plan is 6.40%, and for the DCRP is 4.40%. These rates are significantly higher than many other fixed income products, primarily due to Aegon's 'smoothing' process. The process will generally result in any decline being more gradual; it also results in a more gradual increase in the credited rate when market conditions improve. The process cannot change market conditions, but it reduces the immediate impact of those conditions. However, do not be surprised by a decrease in the credited rate in coming quarters due to current market conditions. As with all investment options, the Board is monitoring both PIMCO and Aegon, and will only make prudent changes consistent with its established policies.♦

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